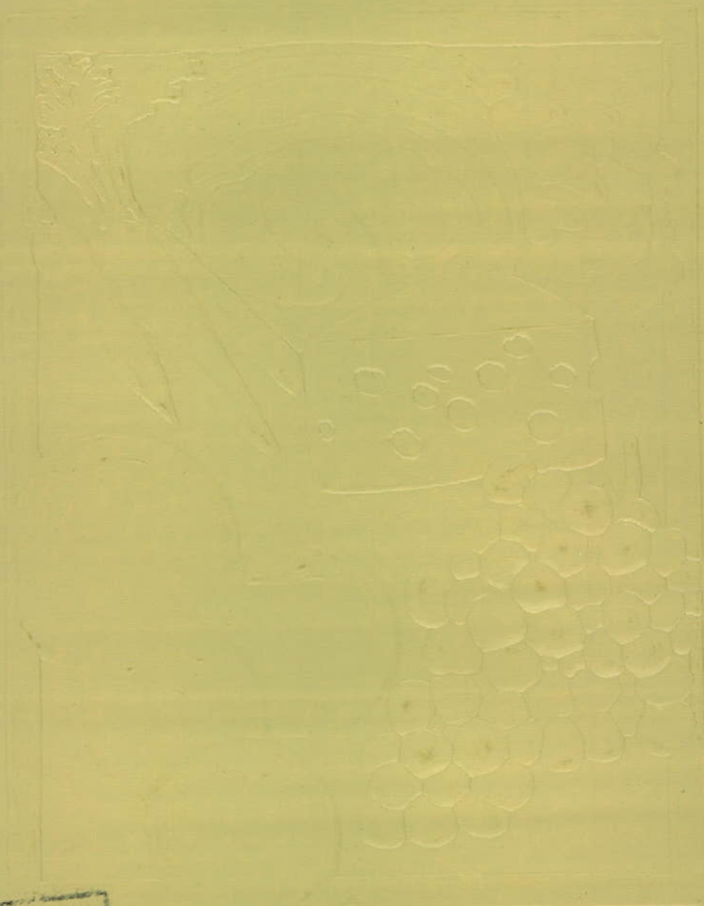
# LOBLAW COMPANIES LIMITED

*Annual Report 1979*



## FINANCIAL HIGHLIGHTS

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| Sales | $4,725,263 | $4,246,552 |
| Operating Income | $71,964 | $60,112 |
| Earnings before Extraordinary Items | $22,866 | $18,698 |
| Net Earnings | $34,955 | $25,573 |
| Cash Flow from Operations | $74,897 | $61,098 |
| Working Capital | $92,986 | $84,474 |
| Total Assets | $867,873 | $713,332 |
| Current Ratio | 1.25:1 | 1.26:1 |
| Per Class A and Class B Share | | |
| Earnings before Extraordinary Items | $0.58 | $0.50 |
| Net Earnings | $0.96 | $0.72 |
| Shareholders' Investment | $4.45 | $3.61 |

Annual and Special General Meeting,
April 18, 1980, 10:00 a.m.
Toronto Hilton Harbour Castle Hotel, Frontenac Ballroom,
Toronto, Ontario

# CHAIRMAN'S LETTER

It gives me great pleasure to report that your Company had its most successful year ever. Moreover previous records were broken by a large enough margin for me to be able to say confidently that our progress kept ahead of inflation.

Sales increased by 11.3 percent to reach $4.725 billion at a time when consumers were trading down, buying cheaper cuts of meat and "no-name" grocery products. Earnings from operations (after taxes and minority interest but before extraordinary items) increased by 22.3 percent to $22.9 million and net earnings after extraordinary items improved by 36.7 percent to $35.0 million and this at a time when almost all operating expenses, especially labour, were up dramatically.

The same basic policies were applied throughout 1979 as in the last several years: in asset management, the continued culling of marginal facilities and their replacement by more efficient ones; in marketing, the increased emphasis on value for money in every area; in personnel, the extended use of training to increase service and productivity.

Management in all areas has performed well and while profit as a percentage to sales is still too low at 0.5 percent (after taxes), every division is now profitable. Return on common shareholders' equity at year end was 14.6 percent and on total capital employed 14.5 percent, the latter looking better when one considers the significant real estate holdings included in the group.

Our financial position continued to improve with the addition of $27.2 million of retained earnings and $25.0 million of preferred stock. Dividends were increased by 20.0 percent during the year, although dividend policy will continue to be conservative while what is a relatively youthful management team continues to revitalize and rejuvenate the assets of a very long established group of companies.

We are attempting to make this Company grow rapidly both in sales and earnings in a time of high inflation, exorbitant interest rates and diminishing consumer prosperity. At the same time we are committed to the highest ideals in terms of quality merchandise and customer service.

This is not a simple task and I am proud of our success so far. Great strides have been made toward long term goals in every area, and I am confident that consumers, employees, pensioners and shareholders alike will benefit from Loblaw Companies' progress both now and in the future.

W. Galen Weston

W. Galen Weston
Chairman of the Board and
Chief Executive Officer
Loblaw Companies Limited

# PRESIDENT'S LETTER AND REPORT ON OPERATIONS

Your Company operates in a difficult environment. Food wholesaling and retailing is the last link in a chain that begins with the farmer and ends with the consumer and it generally bears the brunt of criticism for any food price increases in the economy. It is well known that the cost of food-at-home has been increasing on an absolute basis for many years. What is less well known is that relative to disposable income the cost of food-at-home has been declining over that same period. Objective government review, such as the Food Prices Review Board of the Canadian federal government and food price inquiries of a judicial nature held separately by the provinces of British Columbia and Ontario, have confirmed the efficiency of the food distribution industry.

Consumers are the prime beneficiaries of any competitive system. The extreme and intense competitive nature of the food distribution industry, while providing Canadian consumers the lowest cost food distribution system in the world, has unfortunately allowed the profits of the industry to erode to dangerously low levels. Your Company's own performance, while operating at record profit levels, does not provide for an adequate return to shareholders and for reinvestment in the business—reinvestment that is necessary to continue to provide its customers with improved cost and service levels and thereby increase profits and return on investment. The 1979 earnings from operations (after taxes but before extraordinary items) expressed as a return of 5/10th of 1 cent on each dollar of sales is too thin to provide funds for both returns and reinvestment.

Return on sales should properly be looked upon as a consumer oriented measurement, indicating how much of the consumer's dollar ends up as profit in the hands of the distributor. It is sometimes suggested, however, that return on sales, generally low by comparison with other industries, is used by this industry as an unfair and indeed a deceptive measure to mask inordinately high returns on investment and returns on equity.

The return on total capital for Loblaw Companies Limited in 1979 was 14.5 percent and its return (before extraordinary items) on common equity was 14.6 percent. For public companies in the Canadian food distribution industry, recent returns on total capital and common equity were 19.5 percent and 15.1 percent respectively. These returns can hardly be considered acceptable compared to the Canadian banks average prime-lending rate of 12.8 percent in 1979.

Wholesale and retail food distribution is a mature, low-growth industry, particularly the retail component. The manifestation of maturity is the high cost of renewal of older assets, which is necessary to maintain the fabric of the business, and the dramatic rise in the cost of land, buildings and equipment to generate new sales.

At the same time that capital costs have been increasing, labour demands (which represent about 65 percent of the controllable costs of the industry) have been on the rise.

There is absolutely nothing wrong with labour expecting more for its services, but there is something very wrong if it is not accompanied by improved productivity or performance.

In our retail businesses, the best opportunity for improved productivity rests with our ability to use optical scanners. At the present time, we have more than 36 stores operating without price marking and without store-customer complaint. Optical scanning and price removals will provide improved productivity in retail stores. Without productivity increases consumers pay more for their goods, because wage increases are not offset by productivity increases.

Recognizing that productivity increases to offset rising capital and labour costs may not be available if some irresponsible or unperceptive consumerists or labour leaders have their way, your Company has reinvested in its wholesale operations as a balance to these trends in retail. At the present time, about 50 percent of your Company's sales are to wholesale accounts.

As reported in my last year's report on operations "food wholesaling is growing faster than food retailing throughout the North American scene ...where we are in markets as retail operators (National Tea; Loblaws Ontario and Zehrmart divisions) it is our intention to have a substantial market share with fully competitive facilities. Where we are in markets as wholesale operators (Kelly, Douglas; National Grocers; Peter J. Schmitt; Atlantic Wholesalers divisions) it is our intention to offer a full line of services to our customers and to operate with modern service facilities". The fundamental strength and security of Loblaw Companies Limited lies in this retail/wholesale balance, while your Company functions as free-standing operations in over fourteen widely-separated market places throughout North America.

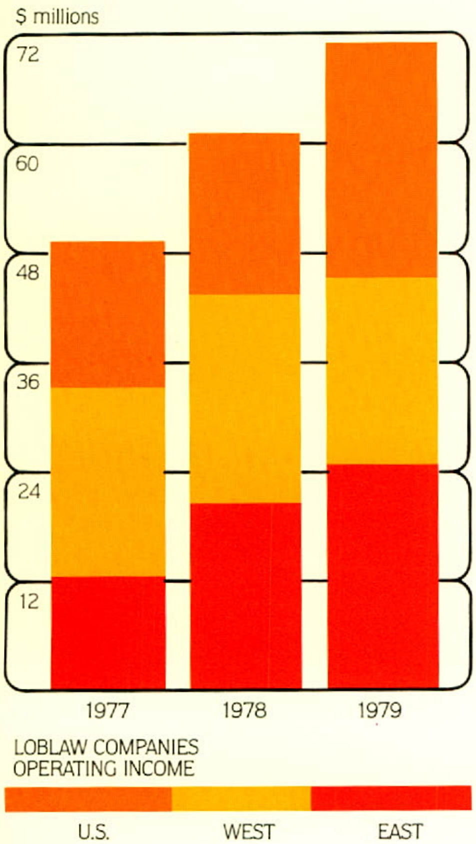
Nevertheless, increasing capital and labour costs in a labour intensive business is disturbing, particularly as it appears as if little productivity improvement has been available to effectively offset this trend. Our strong, well-balanced and well-managed wholesale operations do allow some relief. But the need for management strength and resolve is needed now more than ever throughout the Company if we are to deliver acceptable service to the consumer, reasonable security to our employees and improved returns to our shareholders.

## REPORT ON OPERATIONS

It is pleasing to report that Loblaw Companies Limited performed at record levels in the year 1979.

Operating income, earnings from operations and net earnings set new highs in the past year. Operating income (income before interest, taxes and minority interest) was a record $72.0 million in 1979, improving 19.7 percent from $60.1 million last year. Earnings from operations (after taxes and minority interest but before extraordinary items) improved to a record $22.9 million ($0.58 per common share) an increase of 22.3 percent from last year's $18.7 million ($0.50 per common share). Net earnings (after extraordinary items), also a record in 1979, improved to $35.0 million ($0.96 per common share) from $25.6 million ($0.72 per common share) in 1978. Extraordinary items in 1979 included a gain of $4.1 million obtained from the disposal of our food service business in Western Canada, and $8.0 million obtained from income tax recoveries applicable to prior years' losses.

Sales of $4.725 billion exceeded the previous record sales of 1978 by $479 million or 11.3 percent. Dividing sales into two major categories, Canadian and United States, the Canadian sales increased 8.0 percent to $2.857 billion while United States sales (in Canadian dollars at 85¢ American) increased 16.6 percent from 1978 levels to $1.868 billion in 1979.




The financial position of the Company continued to improve during the year and, at year end, short-term borrowings less cash and short-term investments showed an improvement of $8.0 million from the previous year-end position. Working capital was up $8.5 million at $93.0 million.

During the year, the largest annual capital expenditure program in the history of Loblaw Companies Limited was completed with the expenditure of $114.6 million on new assets and acquisitions. As referred to in last year's annual report, the anticipated acquisition of Applebaums' Food Markets, Inc. of St. Paul, Minnesota, was completed on July 27, 1979, for a cash outlay of $22.2 million. This acquisition now provides reasonable urban representation for the existing Minneapolis division of our subsidiary, National Tea Co., which had been predominantly rural in character. In the fourth quarter, three acquisitions were made for an aggregate sum of approximately $8.0 million. These included the purchase of the assets of six Park Edge supermarkets in upstate New York by our subsidiary, Peter J. Schmitt Co., Inc. of Buffalo, New York, and certain of the assets (including one warehouse, four stores and seven cash and carry warehouses) of Halifax Wholesalers by our subsidiary, Atlantic Wholesalers of Sackville, New Brunswick. It is anticipated that the wholesaling activities and performance of these two subsidiaries will improve as a result of these added assets. Also, in the fourth quarter, with our partner in the successful Z & W Foods Limited of Toronto, Franz Wiltmann GmbH of Versmold, West Germany, we acquired the assets of A. Szelagowski & Son, Inc. of Buffalo.

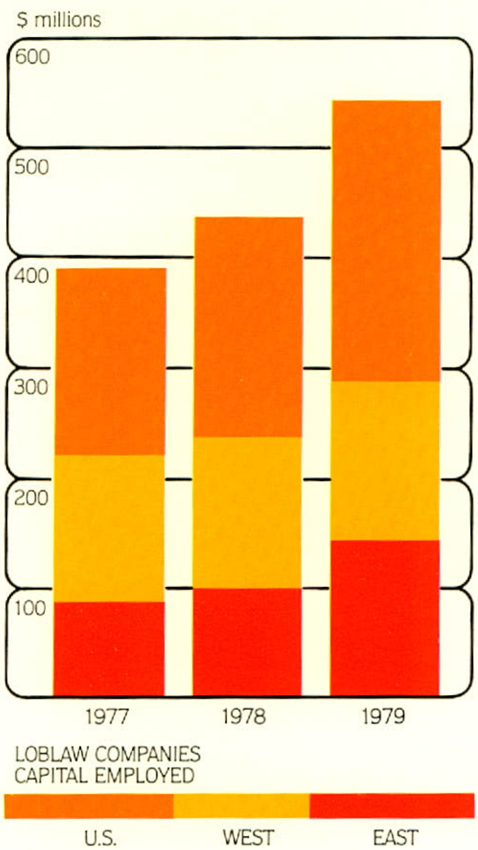
In the past three years, along with a steadily improving financial position, Loblaw Companies Limited has improved its wholesale or retail market position in each of its major operating areas throughout Canada and the United States. Each of these years has seen record sales, record earnings and record capital investment programs. Significantly, the three years have also seen the same operating teams in place at the corporate level and in each of the subsidiaries and their major operating regions.

Last year, on many of the annual report pages, pictures of division or subsidiary presidents and other key operating officers were shown. This year, many of the corporate, subsidiary and divisional staff are shown, particularly in the areas of finance, administration, development, procurement and real estate. Again this year, those pictured represent not only themselves but also the many persons throughout the business, in all areas and at all levels, for whose support, loyalty and performance I am very grateful.

Richard J. Currie

Richard J. Currie
President & Chief Operating Officer
Loblaw Companies Limited

# WESTERN REPORT ON OPERATIONS




The Western Operations of Loblaw Companies Limited are conducted by Kelly, Douglas & Company, Limited, headquartered in Vancouver, a subsidiary company in which Loblaw Companies Limited has an 84 percent interest.

Kelly, Douglas is operationally divided into three regions: British Columbia and the Yukon Territory, headquartered in Vancouver; Canadian Prairies, (Manitoba, Saskatchewan and Alberta), headquartered in Winnipeg; United States, (Colorado, Wyoming and New Mexico), headquartered in Denver.

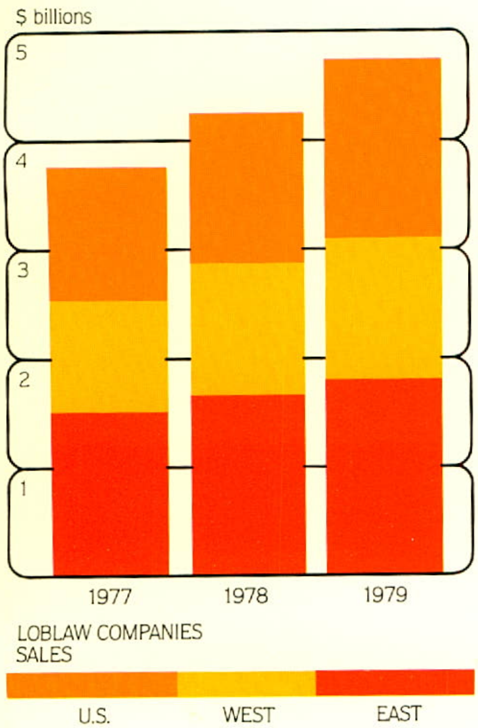
Sales in 1979 were $1.324 billion and represent a 13.1 percent increase over the $1.171 billion in 1978. For the year, earnings before extraordinary items were $11.3 million, an improvement of 6.4 percent from last year's $10.6 million level. Net earnings for 1979 were $16.2 million, as compared with $11.6 million for the previous year. The extraordinary item of $4.9 million resulted from the sale of Dickson's Food Services Ltd. during the first quarter.

During the year, approximately 70 percent of Kelly, Douglas' business was accounted for by independent and franchised accounts and, for the upcoming year, this figure is expected to rise to almost 90 percent of sales. For 1979, 17 new supermarkets were opened by independent franchised operators and 2 corporate supermarkets were added or enlarged, one of which was in the over 40,000 square foot or "superstore" category. Three more "superstores" are presently under construction or on the drawing boards.

In the British Columbia and Yukon Division, 1979 sales improved by 8.7 percent over 1978, following the 1978 improvement of 12.8 percent over 1977 levels. In the Canadian Prairies Division, 1979 sales improved by 13.1 percent over 1978, following the 1978 improvement of 17.4 percent. In the United States Division, 1979 sales improved by 53.8 percent over 1978, following the 1978 improvement of 24.7 percent.

To service the present and future needs of the business more effectively, a new distribution centre was completed in Edmonton during the year, five warehouses had additional departments or capacity added and two replacement and one additional new cash and carry warehouses were opened.

# EASTERN CANADIAN REPORT ON OPERATIONS




The Eastern Canadian Operations of Loblaw Companies Limited are involved in the wholesaling and retailing of food products in the Ontario and Maritime markets. Four separate businesses are included: Loblaws Ontario Division, headquartered in Toronto; Zehrmart Division, headquartered in Cambridge, Ontario; National Grocers Division, headquartered in Toronto; Atlantic Wholesalers Division, headquartered in Sackville, New Brunswick.

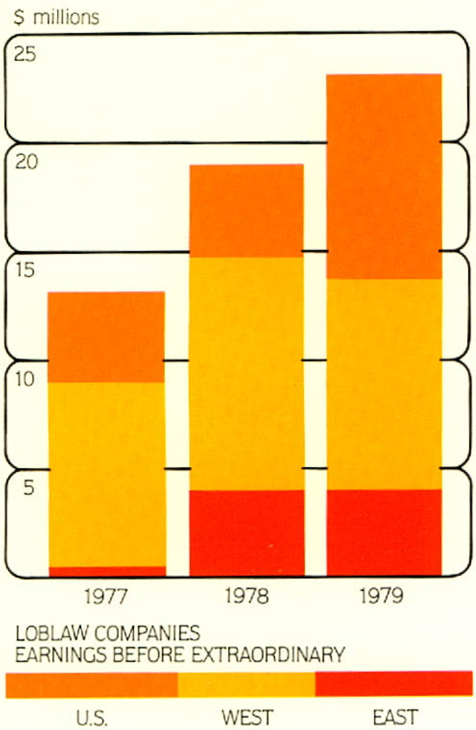
Total sales of Eastern Canadian Operations in 1979 were $1.797 billion, an increase of $152 million or 9.2 percent over 1978. This performance follows an improvement of 11.2 percent in 1978 and 13.0 percent in 1977. At year end, Zehrmart operated 53 supermarkets and Loblaws Ontario operated 130 supermarkets and 7 "No Frills" stores. Loblaws Ontario Division introduced "no-name" products to the Canadian food-retailing scene in 1978 and these products (approximately 300 in 1979) represented 11 percent of its grocery-category sales. These products now appear in varying degrees throughout Loblaw Companies Limited operations and their degree of acceptance by the consumer has been exceptional to date.

Sales for 1979 in the retail portion of the Eastern Canadian Operations (Loblaws Ontario and Zehrmart) increased by 10.3 percent over 1978, while in the wholesale portion (National Grocers and Atlantic Wholesalers) sales improved by 7.3 percent over 1978.

During the year 1979, 21 new or enlarged corporate supermarkets were completed, 5 of which were over 40,000 square feet in size, and 42 new or enlarged independently franchised units were added. Present plans are for 19 new or enlarged corporate supermarkets and 14 new or enlarged independently franchised units to be completed in 1980.

No new major warehouses were constructed in 1979 although 11 cash and carry warehouses were completed or acquired during the year.

# UNITED STATES REPORT ON OPERATIONS




The United States Operations of Loblaw Companies Limited are conducted through the 84 percent owned retail business, National Tea Co., headquartered in Chicago, with divisions headquartered in New Orleans, Louisiana; Indianapolis, Indiana; Minneapolis, Minnesota; and St. Louis, Missouri; and through the 100 percent owned wholesale operation, Peter J. Schmitt Co., Inc., headquartered in Buffalo, New York.

National Tea's total 1979 sales were (U.S.) $1.046 billion, representing a 13.8 percent increase from the 1978 performance. Net earnings of (U.S.) $13.1 million represent an 8.5 percent increase from 1978 net earnings of (U.S.) $12.1 million, which, in turn, had increased 9.3 percent from the 1977 level of (U.S.) $11.1 million. National Tea continued to benefit from extraordinary income resulting from tax reductions realized on application of prior years' tax losses.

On July 27, 1979, National Tea acquired Applebaums' Food Markets, Inc. with its 27 retail stores of St. Paul, Minnesota. Applebaums' stores averaged 23,800 square feet in size and had total weekly sales of (U.S.) $2.6 million at the date of acquisition. National Tea's results for 1979 include Applebaums' from that date.

At year end, the Minneapolis Division operated 76 supermarkets averaging 19,195 square feet in size; the St. Louis Division 49 supermarkets averaging 23,720 square feet; the Indianapolis Division 56 supermarkets averaging 19,782 square feet; and the New Orleans Division 57 supermarkets averaging 21,217 square feet. During the year, exclusive of Applebaums', 10 new or enlarged stores were added, including 3 of the over 40,000 square foot "superstore" variety. Store closures amounted to ten in number. In 1980, National Tea plans to open 11 stores, including 4 in the "superstore" category and to close 21 others in its continuing plan to build greater strength in its present marketing areas.

Peter J. Schmitt sales in 1979 improved by 6.8 percent over 1978 to (U.S.) $316.9 million. In the last quarter of the year, Peter J. Schmitt completed the purchase of the assets of Park Edge supermarkets, consisting of six stores in upstate New York. This acquisition, along with four new and enlarged stores added to the business in 1979, continues to strengthen a business that was restored to operating profitability in 1978 after languishing for a number of years. At year end, the business operated 40 corporate stores and 49 franchised independent accounts from its distribution centre. For 1980, a continued concentration on wholesaling activities is planned with two corporate stores and ten franchise stores expected to be added during the year.

# SENIOR MANAGEMENT

President, R.J. Currie (2nd from right) with division and subsidiary presidents, (left to right) D.A. Nichol, P.S. Lennie, C.B. Barcelona, R.J. Addington, C.M. Zinkan, V.W. Schulz, D.J. Hamm.

Senior Vice President Finance, C.M. Humphrys, (2nd from right) with corporate, divisional and subsidiary financial officers, (left to right) R.G. Petrie, S.V. Durtsche, R.G. Scott, K.W. Campbell, J.H. Farrell, W.J. Herzog, W.E. East, D.M. Williams, S. Douglass, J.N. McCullough. (absent A.M. McNicol)

Senior Vice President Business Development, B.Y. Davidson (centre) with corporate, divisional and subsidiary merchandising officers, (left to right) H. Cothran, D.N. Lunau, K.B. Williams, J.K. Shipton, R.A. Milton, M.J. Little, R. West.

Senior Vice President Real Estate Development, H.A. Seitz, (6th from left) pictured with divisional and subsidiary real estate, development, and construction officers.

# LOBLAW COMPANIES TODAY


1

2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1. Loblaws (Ontario). Store in London, Ontario
2. Zehrmart. Store in Cambridge, Ontario
3. Z&W Foods. Plant in Don Mills, Ontario

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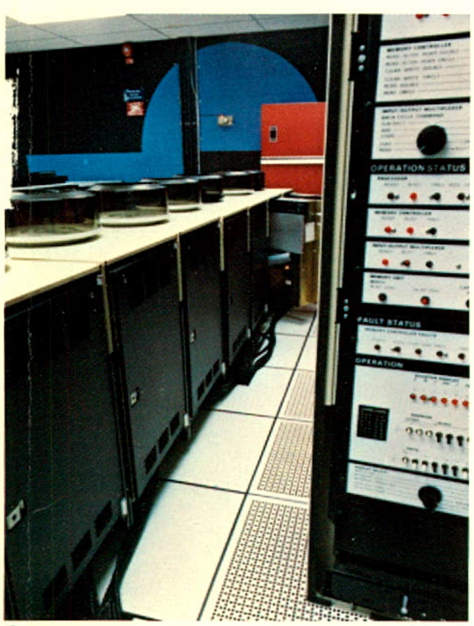

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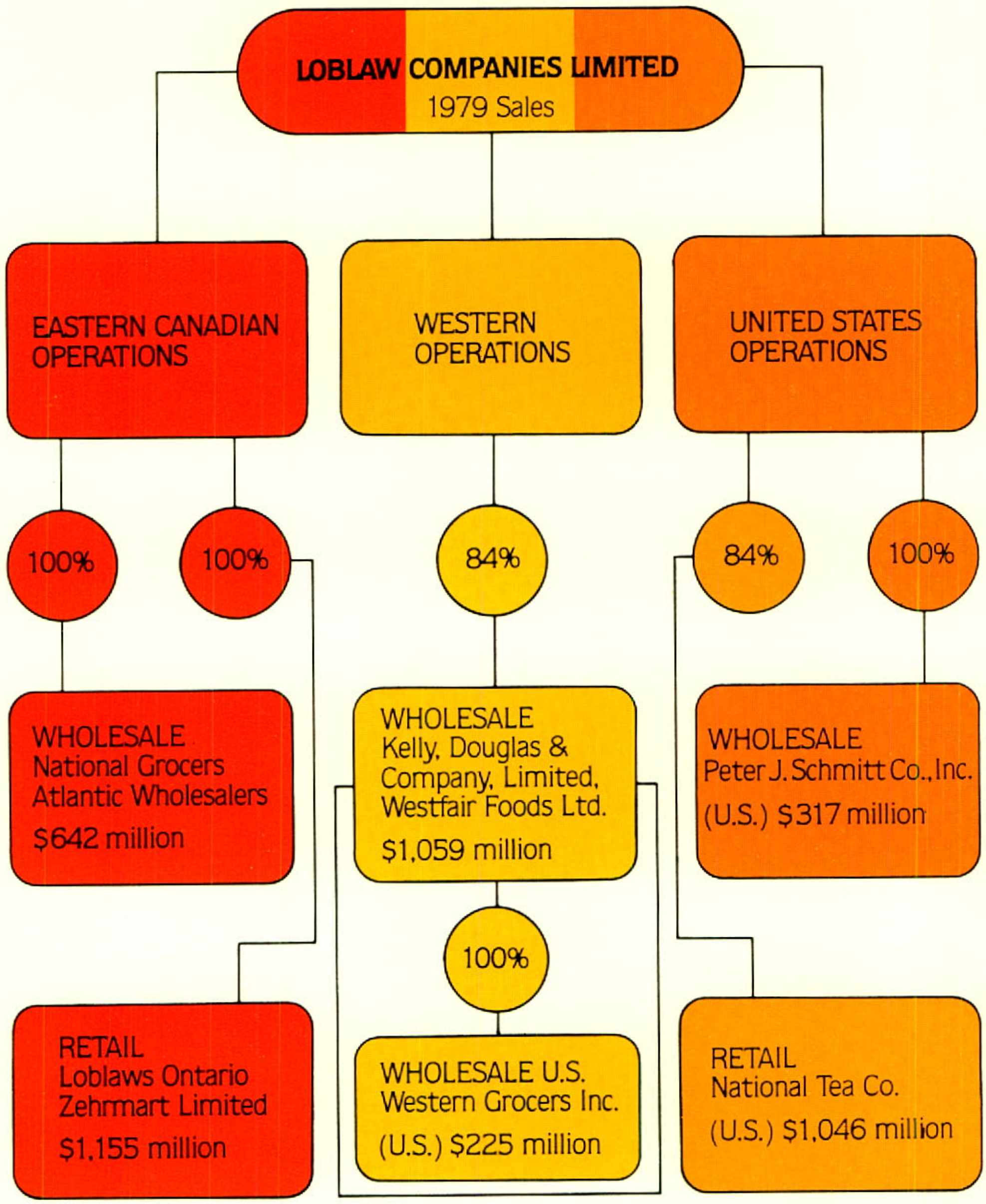
4. Atlantic Wholesalers.
   Warehouse in Fredericton, New Brunswick
5. Peter J. Schmitt.
   Warehouse in Buffalo, New York
6. Kelly, Douglas.
   Store in Saskatoon, Saskatchewan
7. National Tea.
   Store in New Orleans, Louisiana
8. National Grocers.
   Data Centre in Bramalea, Ontario

# ORGANIZATION CHART



# OPERATING STATISTICS

| | 1979 | 1978 |
|---|---|---|
| Number of Class A Shareholders | 4,136 | 4,512 |
| Number of Class B Shareholders | 4,437 | 4,780 |
| Percentage of Common Shares held in Canada | 99.7% | 99.8% |
| Book Value per Common Share | $4.45 | $3.61 |
| Return on Common Equity | 14.6% | 15.4% |
| Cash Flow per Common Share | $2.35 | $1.92 |
| Fixed Assets Purchased per Common Share | $3.00 | $2.44 |
| Debt Equity Ratio | 1:2.7 | 1:2.3 |
| Percent of Debt in Total Capital Structure | 37.7% | 43.7% |
| Return on Total Capital | 14.5% | 15.0% |
| Cash Flow to Long-Term Debt | 1:1.5 | 1:1.7 |
| Interest Coverage Ratio | 3.3:1 | 3.7:1 |
| Current Ratio | 1.25:1 | 1.26:1 |

| COMPARATIVE RETURN ON SALES | 1979 | 1978 |
|---|---|---|
| Operating Income | 1.5% | 1.4% |
| Earnings before Extraordinary Items | 0.5% | 0.4% |
| Net Earnings | 0.7% | 0.6% |

| COMPARATIVE SALES AND EARNINGS BY QUARTER | Sales | | Earnings before extraordinary items | |
|---|---|---|---|---|
| (in thousands of dollars) | 1979 | 1978 | 1979 | 1978 |
| 1st quarter | $1,000,175 | $ 881,243 | $ 2,952 | $ 2,307 |
| 2nd quarter | 1,054,197 | 933,645 | 4,224 | 3,538 |
| 3rd quarter | 1,510,758 | 1,335,814 | 7,024 | 5,867 |
| 4th quarter | 1,160,133 | 1,095,850 | 8,666 | 6,986 |
| 52 weeks | $4,725,263 | $4,246,552 | $22,866 | $18,698 |

| EARNINGS PER SHARE | Earnings before extraordinary items | | Net earnings | |
|---|---|---|---|---|
| | 1979 | 1978 | 1979 | 1978 |
| 1st quarter | $0.07 | $0.05 | $0.24 | $0.09 |
| 2nd quarter | 0.11 | 0.09 | 0.18 | 0.15 |
| 3rd quarter | 0.18 | 0.16 | 0.26 | 0.22 |
| 4th quarter | 0.22 | 0.20 | 0.28 | 0.26 |
| 52 weeks | $0.58 | $0.50 | $0.96 | $0.72 |

# FIVE YEAR SUMMARY

## SALES AND EARNINGS

| (in thousands of dollars) | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|
| SALES | | | | | |
| Canadian | $2,856,908 | $2,644,662 | $2,411,779 | $2,318,649 | $1,999,541 |
| United States | 1,868,355 | 1,601,890 | 1,323,568 | 1,206,360 | 1,042,935 |
| | 4,725,263 | 4,246,552 | 3,735,347 | 3,525,009 | 3,042,476 |
| Investment income | 2,859 | 2,235 | 3,964 | 2,538 | 2,854 |
| | 4,728,122 | 4,248,787 | 3,739,311 | 3,527,547 | 3,045,330 |
| OPERATING EXPENSES | | | | | |
| Cost of sales, selling and administrative expenses | 4,560,792 | 4,099,670 | 3,607,430 | 3,409,125 | 2,914,443 |
| Net long-term lease expense | 58,954 | 57,721 | 55,323 | 50,261 | 47,918 |
| TRADING INCOME | 108,376 | 91,396 | 76,558 | 68,161 | 82,969 |
| Depreciation | 36,412 | 31,284 | 27,531 | 24,918 | 22,758 |
| OPERATING INCOME | 71,964 | 60,112 | 49,027 | 43,243 | 60,211 |
| Interest on long-term debt | 11,309 | 10,184 | 9,873 | 11,281 | 11,445 |
| Interest on obligations under capital leases | 2,356 | | | | |
| Other interest expense | 8,412 | 5,958 | 8,170 | 11,141 | 8,315 |
| | 22,077 | 16,142 | 18,043 | 22,422 | 19,760 |
| EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST | 49,887 | 43,970 | 30,984 | 20,821 | 40,451 |
| Income taxes | 21,006 | 19,930 | 13,433 | 10,044 | 21,958 |
| Minority interest | 6,015 | 5,342 | 4,357 | 4,561 | 3,632 |
| EARNINGS BEFORE EXTRAORDINARY ITEMS AND DISCONTINUED OPERATIONS | 22,866 | 18,698 | 13,194 | 6,216 | 14,861 |
| Extraordinary items | 12,089 | 6,875 | 5,202 | (28,115) | (6,120) |
| Discontinued operations | | | | (27,904) | (14,699) |
| NET EARNINGS (LOSS) | $ 34,955 | $ 25,573 | $ 18,396 | $ (49,803) | $ (5,958) |

## FINANCIAL POSITION

| (in thousands of dollars) | $ | $ | $ | $ | $ |
|---|---|---|---|---|---|
| Current Assets | 465,477 | 414,188 | 381,022 | 407,611 | 443,754 |
| Inventories | 346,219 | 293,969 | 273,827 | 286,665 | 320,529 |
| Current Liabilities | 372,491 | 329,714 | 297,763 | 330,417 | 371,880 |
| Bank Advances & Notes Payable | 39,128 | 48,541 | 51,449 | 58,253 | 73,641 |
| Working Capital | 92,986 | 84,474 | 83,259 | 77,194 | 71,874 |
| Owned Fixed Assets—Gross | 499,354 | 435,571 | 383,284 | 396,667 | 471,762 |
| Property under Capital Leases—Gross | 45,083 | | | | |
| Total Assets | 867,873 | 713,332 | 631,493 | 644,538 | 730,708 |
| Long-Term Debt | 109,991 | 102,442 | 106,355 | 134,788 | 142,952 |
| Obligations under Capital Leases | 46,311 | | | | |
| Minority Interest in Subsidiaries | 63,772 | 58,481 | 54,111 | 53,598 | 62,963 |
| Capital Stock | 179,913 | 154,913 | 124,913 | 97,413 | 117,427 |
| Retained Earnings | 66,880 | 39,705 | 19,121 | 3,854 | 8,465 |

# FINANCIAL REVIEW

Consolidated Statements of Earnings and Retained Earnings

Consolidated Statement of Changes in Financial Position

Consolidated Balance Sheet

Notes to Consolidated Financial Statements

## AUDITORS' REPORT

To the Shareholders of Loblaw Companies Limited

We have examined the consolidated balance sheet of Loblaw Companies Limited as at December 29, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the 52 weeks then ended. Our examination of the financial statements of Loblaw Companies Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 29, 1979 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles which, except for the required change in the method of accounting for capital leases as described in note 2, have been applied on a basis consistent with that of the preceding period.

Thorne Riddell

Chartered Accountants

Toronto, Canada
March 10, 1980

# CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

LOBLAW COMPANIES LIMITED
52 Weeks Ended December 29, 1979 and December 30, 1978

## CONSOLIDATED STATEMENT OF EARNINGS

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| **SALES AND OTHER INCOME** | | |
| Sales | | |
| Canadian | $2,856,908 | $2,644,662 |
| United States | 1,868,355 | 1,601,890 |
| | 4,725,263 | 4,246,552 |
| Investment income | 2,859 | 2,235 |
| | 4,728,122 | 4,248,787 |
| **OPERATING EXPENSES** | | |
| Cost of sales, selling and administrative expenses before the following items | 4,560,792 | 4,099,670 |
| Net long-term lease expense | 58,954 | 57,721 |
| Depreciation of owned fixed assets | 34,951 | 31,284 |
| Depreciation of property under capital leases | 1,461 | |
| | 4,656,158 | 4,188,675 |
| **OPERATING INCOME** | 71,964 | 60,112 |
| Interest on long-term debt | 11,309 | 10,184 |
| Interest on obligations under capital leases | 2,356 | |
| Other interest expense | 8,412 | 5,958 |
| | 22,077 | 16,142 |
| Earnings before income taxes | 49,887 | 43,970 |
| Income taxes (note 3) | 21,006 | 19,930 |
| Earnings before minority interest | 28,881 | 24,040 |
| Minority interest | 6,015 | 5,342 |
| **EARNINGS BEFORE EXTRAORDINARY ITEMS** | 22,866 | 18,698 |
| Extraordinary items (note 4) | 12,089 | 6,875 |
| **NET EARNINGS FOR THE PERIOD** | $ 34,955 | $ 25,573 |
| **PER CLASS A AND CLASS B SHARE** | | |
| Earnings before extraordinary items | $0.58 | $0.50 |
| Extraordinary items | $0.38 | $0.22 |
| Net earnings | $0.96 | $0.72 |

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| **RETAINED EARNINGS AT BEGINNING OF PERIOD** | $ 39,705 | $ 19,121 |
| Net earnings for the period | 34,955 | 25,573 |
| | 74,660 | 44,694 |
| Dividends declared | | |
| Preferred shares | 4,111 | 2,596 |
| Class A shares (11.5¢ per share, 1978-7.5¢ per share) | 1,725 | 1,125 |
| Class B shares (11.5¢ per share, 1978-7.5¢ per share) | 1,944 | 1,268 |
| | 7,780 | 4,989 |
| **RETAINED EARNINGS AT END OF PERIOD** | $ 66,880 | $ 39,705 |

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

LOBLAW COMPANIES LIMITED
52 Weeks Ended December 29, 1979 and December 30, 1978

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| **SOURCE OF WORKING CAPITAL** | | |
| Operations | | |
| Earnings before minority interest | $ 28,881 | $ 24,040 |
| Depreciation of owned fixed assets | 34,951 | 31,284 |
| Depreciation of property under capital leases | 1,461 | |
| Income taxes not requiring cash | 10,919 | 8,431 |
| Other | (1,315) | (2,657) |
| Cash flow from operations | 74,897 | 61,098 |
| Financing | | |
| Net additions to obligations under capital leases | 40,086 | |
| Proceeds from shares issued | 25,000 | 30,000 |
| Increase in long-term debt | 28,641 | 16,855 |
| Other | 588 | |
| | 94,315 | 46,855 |
| Other items | | |
| Proceeds from sale of subsidiaries (net of working capital) | 6,309 | 3,869 |
| Proceeds from sale of fixed assets | 27,060 | 15,772 |
| | 33,369 | 19,641 |
| Total sources of working capital | 202,581 | 127,594 |
| **USE OF WORKING CAPITAL** | | |
| Reinvestment | | |
| Acquisition of subsidiary company (net of working capital of $5,353—Note 10) | 16,825 | |
| Purchase of owned fixed assets | 95,837 | 77,981 |
| Additions to property under capital leases | 40,812 | |
| Net increase in investments and sundry items | 8,118 | 16,953 |
| | 161,592 | 94,934 |
| Financing | | |
| Reduction in long-term debt | 21,573 | 24,313 |
| Purchase of minority interest | 555 | 329 |
| | 22,128 | 24,642 |
| Dividends | | |
| To shareholders | 7,780 | 4,989 |
| To minority shareholders in subsidiary companies | 2,569 | 1,814 |
| | 10,349 | 6,803 |
| Total uses of working capital | 194,069 | 126,379 |
| **INCREASE IN WORKING CAPITAL** | 8,512 | 1,215 |
| Working capital at beginning of period | 84,474 | 83,259 |
| **WORKING CAPITAL AT END OF PERIOD** | $ 92,986 | $ 84,474 |

# CONSOLIDATED BALANCE SHEET

LOBLAW COMPANIES LIMITED (Incorporated under the laws of Canada)
As at December 29, 1979 and December 30, 1978

## ASSETS

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and short-term investments | $ 6,954 | $ 8,412 |
| Accounts receivable | 79,571 | 82,848 |
| Properties held for sale at the lower of cost and net realizable value | 20,444 | 17,543 |
| Inventories | 346,219 | 293,969 |
| Prepaid expenses | 12,289 | 11,416 |
| | 465,477 | 414,188 |
| INVESTMENTS, at cost | | |
| Secured loans and advances | 8,067 | 8,815 |
| Sundry investments | 3,561 | 2,928 |
| Non-current receivables | 14,498 | 11,673 |
| Properties held for development or sale | 23,645 | 21,004 |
| | 49,771 | 44,420 |
| FIXED ASSETS, at cost | | |
| Land | 22,621 | 17,669 |
| Buildings | 66,849 | 51,444 |
| Equipment and fixtures | 294,045 | 273,132 |
| Leasehold improvements | 115,839 | 93,326 |
| | 499,354 | 435,571 |
| Accumulated depreciation | 206,798 | 194,159 |
| | 292,556 | 241,412 |
| Property under capital leases, less accumulated depreciation (note 7) | 43,622 | |
| | 336,178 | 241,412 |
| GOODWILL | 15,702 | 12,519 |
| DEFERRED CHARGES | 745 | 793 |
| | $867,873 | $713,332 |

Approved by the Board

W. Galen Weston, Director
George C. Metcalf, Director

## LIABILITIES

| (in thousands of dollars) | 1979 | 1978 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Bank advances and notes payable | $ 39,128 | $ 48,541 |
| Accounts payable and accrued liabilities | 301,039 | 251,850 |
| Taxes payable | 21,780 | 21,617 |
| Long-term debt payable within one year | 7,828 | 7,706 |
| Current portion of obligations under capital leases | 1,759 | |
| Dividends payable | 957 | |
| | 372,491 | 329,714 |
| **LONG-TERM DEBT** (note 6) | 102,163 | 94,736 |
| **OBLIGATIONS UNDER CAPITAL LEASES** (note 7) | 44,552 | |
| | 146,715 | 94,736 |
| **OTHER LIABILITIES** (note 8) | 17,794 | 16,085 |
| **DEFERRED INCOME TAXES** | 2,457 | 547 |
| **DEFERRED REAL ESTATE INCOME** | 17,851 | 19,151 |
| **MINORITY INTEREST IN SUBSIDIARIES** | 63,772 | 58,481 |

## SHAREHOLDERS' EQUITY

| | 1979 | 1978 |
|---|---|---|
| **CAPITAL STOCK** (note 5) | | |
| Authorized | | |
| 1,000,000 Preferred shares having a par value of $50.00 each, issuable in series | | |
| 1,500,000 Second Preferred shares issuable in series | | |
| 25,000,000 Class A shares without par value | | |
| 27,000,000 Class B shares without par value | | |
| Issued | | |
| 439,652 $2.40 Cumulative redeemable preferred shares | 21,982 | 21,982 |
| 550,000 Preferred shares second series | 27,500 | 27,500 |
| 300,000 Second Preferred shares first series having a par value of $100.00 each | 30,000 | 30,000 |
| 250,000 Second Preferred shares second series having a par value of $100.00 each | 25,000 | |
| 15,000,000 Class A shares | 48,126 | 48,126 |
| 16,900,000 Class B shares | 27,305 | 27,305 |
| | 179,913 | 154,913 |
| **RETAINED EARNINGS** | 66,880 | 39,705 |
| | 246,793 | 194,618 |
| | $867,873 | $713,332 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LOBLAW COMPANIES LIMITED
December 29, 1979

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation
The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of principal subsidiaries is 100%, excepting Kelly, Douglas & Company, Limited and National Tea Co. which are 84% owned.

(b) Amortization of goodwill arising on consolidation of subsidiaries
The Company amortizes over periods not exceeding twenty years, the excess of the cost of investments in subsidiaries acquired after 1973 over the estimated fair value of their net assets at the dates of acquisition.

With respect to certain subsidiaries acquired prior to 1974, the excess of the cost of investments over values attributed to their net tangible assets has been written off and charged to retained earnings. The excess cost, representing goodwill in other subsidiaries, primarily National Tea Co., is recorded as an asset and is not being amortized.

(c) Inventories
Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

(d) Translation of foreign currencies
All U.S. balances have been translated at a rate approximating the current rate at each year end. The net difference on the translation of the Company's equity in U.S. subsidiaries and long-term debt payable in U.S. funds is included in "Fixed Assets" on the balance sheet as a decrease of $5,184,000 in 1979 and a decrease of $5,078,000 in 1978.

(e) Fixed assets
Depreciation is recorded principally on a straight-line basis to reduce the cost of fixed assets over their estimated useful lives, which are substantially as follows:

| | |
|---|---|
| Buildings | 40 years |
| Equipment and fixtures | 9 years |
| Leasehold improvements and property under capital leases | Lesser of useful life and term of lease |

When fixed assets are sold or scrapped, resulting gains or losses on disposal are included in income, except that National Tea Co. uses the composite method for depreciation and only abnormal gains or losses are included in current income.

(f) Deferred real estate income
Profits realized on the sale and leaseback of properties have been deferred and are being amortized over various periods, mainly twenty-five years, according to the term of the respective leases.

## 2. CHANGE IN ACCOUNTING POLICY

Formerly, the Company expensed rental payments on all forms of leases as they occurred. In 1979 the Company responded to new recommendations of the Canadian Institute of Chartered Accountants whereby leases entered into after December 30, 1978, which transfer substantially all of the benefits and risks incident to ownership of property are recorded as the acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is amortized on a straight-line basis and the obligation, including interest thereon, is liquidated over the life of the lease. Rents on non-capital leases and on all leases entered into before December 30, 1978, are expensed as incurred.

The effect of the policy change was a reduction in net earnings for 1979 of $685,000. Retroactive application of the new policy, would have reduced net earnings for 1979 by $3,792,000, and assets and obligations would have increased in the balance sheet by $163,731,000 and $208,700,000 respectively.

## 3. INCOME TAXES

The Company provides for income taxes on financial statement earnings. Where items are reported in the statement of earnings in different years than when reported on the Company's income tax returns, the tax effect of these differences is referred to on the balance sheet as deferred income taxes. However, the potential income tax benefits associated with losses of certain subsidiaries in prior years have not been recorded in the accounts. These accounting losses, relating principally to U.S. subsidiaries, are available to reduce taxable income in future years as follows:

| | Latest year available for deduction | Amount (in thousands of dollars) |
|---|---|---|
| Losses which may be carried forward on a tax filing basis: | 1980 | $ 8,023 |
| | 1981 | 585 |
| | 1982 | 2,248 |
| | 1983 | 37,264 |
| | 1984 | 843 |
| | 1985 | 13,037 |
| | 1986 | 549 |
| | | 62,549 |
| Expenses recorded for book purposes not yet claimed for tax purposes | | 29,168 |
| Accounting losses, the tax effects of which have not been recognized in the financial statements | | $91,717 |
| The Company's effective interest therein | | $83,120 |

## 4. EXTRAORDINARY ITEMS

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Income tax reductions realized on application of prior years' losses | $ 7,984 | $ 6,875 |
| Profit on sale of Dickson's Food Services Ltd. | 4,105 | |
| | $12,089 | $ 6,875 |

## 5. CAPITAL STOCK

(a) The 550,000 Preferred shares second series, issued to George Weston Limited in 1977 at $50.00 each, rank equally with the $2.40 Cumulative redeemable preferred shares and have a cumulative floating dividend rate equal to one-half of bank prime rate plus 1¼%. These redeemable shares are retractable at the option of George Weston Limited at the cumulative annual rate of $5,000,000, or on a proportionate basis with any redemption by George Weston Limited of its Second Preferred Shares, Series A.

(b) In 1979, by approval of the Class A and Class B shareholders and by issue of supplementary letters patent, the Company authorized an increase of 1,500,000 shares in the preferred stock designated as Second Preferred shares. Of these shares 300,000 Second Preferred shares first series were issued in June 1979 to George Weston Limited for consideration of 300,000 redeemable retractable preferred shares of Loblaws Limited which were issued by Loblaws Limited in October, 1978 to George Weston Limited for cash of $30,000,000.

The redeemable Second Preferred shares first series have a cumulative floating dividend rate equal to one-half of bank prime rate plus ½ to ⅞ of 1%. These shares are retractable at the option of George Weston Limited at amounts of $2,500,000 on or after December 31, 1982, $7,500,000 on or after December 31, 1983, $10,000,000 on or after December 31, 1984, $10,000,000 on or after December 31, 1985, or on a proportionate basis with any redemption by George Weston Limited of its Second Preferred Shares, Series B.

(c) In November, 1979 the Company issued 250,000 Second Preferred shares second series to George Weston Limited for cash of $25,000,000. These redeemable shares have a cumulative floating dividend rate equal to one-half of bank prime rate plus 1¼%, and are retractable at the option of George Weston Limited on December 1, 1991.

(d) The $2.40 Cumulative redeemable preferred shares and the Preferred shares second series are redeemable at $50.00 per share. The Second Preferred shares first and second series are redeemable at $100.00 per share.

(e) The Class A shares carry a non-cumulative preferential dividend of 6¼¢ per share per annum after payment of dividends on the preferred shares and participate equally with Class B shares after payment of 6¼¢ per share on the latter.

(f) An option has been granted on 100,000 Class B shares at $5.50 per share expiring not later than December 17, 1981. The exercise of this option would not materially dilute earnings per share.

## 6. LONG TERM DEBT

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Loblaw Companies Limited | | |
| Bank loan maturing 1983, at lower of 107½% of the U.S. bank's prime rate or London Interbank offered rate plus ¾%, repayable in U.S. dollars | $ 15,000 | $ 15,882 |
| Bank loan maturing 1984, at lower of 107½% of the U.S. bank's prime rate or London Interbank offered rate plus ¾%, repayable in U.S. dollars | 15,441 | 16,324 |
| Bank loan at ½% above the bank's prime rate | | 11,000 |
| | 30,441 | 43,206 |
| Loblaws Limited | | |
| 5¾% Series F Sinking Fund Debentures maturing 1981 | 2,510 | 3,127 |
| 6⅜% Series G Sinking Fund Debentures maturing 1991 | 4,438 | 4,769 |
| 6¾% Series H Sinking Fund Debentures maturing 1991 | 4,453 | 5,274 |
| Mortgages payable maturing 1994-1999 | 2,840 | 668 |
| | 14,241 | 13,838 |
| Kelly, Douglas & Company, Limited and subsidiaries | | |
| 8⅜% 1973 Series Sinking Fund Debentures maturing 1993 | 10,393 | 11,100 |
| Other long-term debt maturing 1980-1997, at a weighted average interest rate of 8.2% (including U.S. $2,673,000) | 3,768 | 4,262 |
| | 14,161 | 15,362 |
| National Tea Co. and subsidiaries | | |
| Bank loans maturing 1987, at 107½% of the U.S. bank's prime rate, (U.S. $25,000,000) and at U.S. bank's prime rate, repayable in U.S. dollars | 35,294 | 17,647 |
| 3½% Subordinated Debentures maturing 1980, repayable in U.S. dollars | 2,721 | 2,721 |
| Other long-term debt maturing 1996, repayable in U.S. dollars | 565 | 4,910 |
| | 38,580 | 25,278 |
| Peter J. Schmitt Co., Inc. | | |
| 12% Bank loan maturing 1985, repayable in U.S. dollars | 3,530 | |
| Mortgages payable maturing 2004-2008, at a weighted average interest rate of 9.7%, repayable in U.S. dollars | 3,015 | |
| Other long-term debt maturing 1981-2001, repayable in U.S. dollars | 2,470 | 626 |
| | 9,015 | 626 |
| Other long-term debt maturing 1983-1995, at a weighted average interest rate of 11.9% (including U.S. $1,220,000) | 3,553 | 4,132 |
| | 109,991 | 102,442 |
| Less payable within one year | 7,828 | 7,706 |
| | $102,163 | $ 94,736 |

Sinking fund requirements and debt maturities during the next five years are as follows: 1980-$7,828,000; 1981-$11,754,000; 1982-$14,330,000; 1983-$22,315,000; 1984-$12,879,000.

## 7. LEASES AND COMMITMENTS

The Company and its subsidiaries have obligations under long-term leases for retail outlets, warehousing facilities, equipment and store fixtures. Assets under capital leases entered into after December 30, 1978, and recorded as assets are:

| | (in thousands of dollars) |
|---|---|
| Buildings | $32,705 |
| Equipment and fixtures | 12,378 |
| | 45,083 |
| Accumulated depreciation | 1,461 |
| | $43,622 |

The following table represents minimum lease commitments together with the present value of the obligations under capital leases entered into after December 30, 1978.

| | Capital Leases Entered into after December 30, 1978 | Other Leases Gross | Other Leases Expected Sub-Lease Income | Other Leases Expected Net Liability |
|---|---|---|---|---|
| | | (in thousands of dollars) | | |
| For the year | | | | |
| 1980 | $ 6,741 | $ 75,323 | $ 17,409 | $ 57,914 |
| 1981 | 6,761 | 72,539 | 15,097 | 57,442 |
| 1982 | 6,774 | 68,575 | 13,397 | 55,178 |
| 1983 | 6,766 | 61,556 | 11,721 | 49,835 |
| 1984 | 6,749 | 54,554 | 9,650 | 44,904 |
| Thereafter to 2023 | 68,497 | 464,235 | 55,384 | 408,851 |
| Total minimum lease payments | 102,288 | $796,782 | $122,658 | $674,124 |
| Less amounts representing executory costs | 371 | | | |
| Less amounts representing interest at 11% | 55,606 | | | |
| Balance of obligation | 46,311 | | | |
| Less current portion | 1,759 | | | |
| | $ 44,552 | | | |

In addition, a subsidiary of the Company is contingently liable under leases, primarily assigned to the Great Atlantic & Pacific Tea Co., the gross rentals of which amount to approximately $28,000,000.

## 8. OTHER LIABILITIES

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Deferred employee compensation | $ 8,190 | $ 7,288 |
| Provision for future net obligations on closed operations | 6,748 | 6,679 |
| Provision for self insurance | 2,856 | 2,118 |
| | $17,794 | $16,085 |

## 9. CONTINGENT LIABILITIES

(a) Endorsements and guarantees amount to $23,867,000.
(b) The present value of the unfunded past service pension liability is estimated to be $25,000,000 at December 29, 1979, and is being substantially amortized over varying periods not exceeding thirteen years.

## 10. PURCHASE OF SUBSIDIARY

On July 27, 1979, the Company's U.S. subsidiary, National Tea Co. acquired 100% of Applebaums' Food Markets, Inc., "Applebaums'", a retail supermarket chain operating stores primarily in the Minneapolis-St. Paul metropolitan area, for cash of $22,178,000. The transaction has been accounted for by the purchase method, and the operating results of Applebaums' for 1979 since acquisition, together with the assets and liabilities as at December 29, 1979 are reflected in the consolidated financial statements of the Company.

The cash consideration has been allocated to net assets acquired as follows:

| | (in thousands of dollars) |
|---|---|
| Net working capital | $ 5,353 |
| Goodwill | 3,147 |
| Other assets | 23,470 |
| Other liabilities | (9,792) |
| Cash consideration | $22,178 |

## 11. LITIGATION

In addition to various claims and lawsuits arising in the normal course of business, there are certain actions pending against the Company's U.S. subsidiary National Tea Co.. Several plaintiffs in these actions allege that the National Tea Co. along with other parties were in violation of U.S. anti-trust laws in the purchase and sale of meat. Filing of the original suit took place in 1975 with substantial damages being claimed. In 1977 this and seven subsequent suits were dismissed with prejudice in the U.S. District Court, Dallas, Texas. However, on August 17, 1979 the plaintiffs obtained a reversal of the dismissal from the Fifth Circuit Court of Appeal, and these and other cases are now remanded pending further review.

All suits now pending are still in preliminary states of discovery and consequently the outcome cannot be determined. Management is not aware of any facts which would substantiate the allegations of the various plaintiffs.

## 12. OTHER INFORMATION

(a) The aggregate direct remuneration paid to directors and officers is $1,449,077 This amount has been paid by subsidiaries as remuneration other than directors' fees. Of the 20 officers, 5 are also directors.

(b) Accounts receivable include amounts from affiliated companies of $1,827,000 in 1979 (1978—$3,224,000). Accounts payable and accrued liabilities include amounts due to affiliated companies of $12,331,000 in 1979 (1978—$12,316,000).

(c) These financial statements comply with the disclosure requirements of the act of incorporation (The Canada Corporations Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

# DIRECTORS

W. Galen Weston
Chairman and President
George Weston Limited
Chairman of the Board and
Chief Executive Officer
Loblaw Companies Limited

George C. Metcalf
Vice President
George Weston Limited
Vice Chairman of the Board
Loblaw Companies Limited

Richard J. Currie
Senior Vice President, Food Distribution
George Weston Limited
President and
Chief Operating Officer
Loblaw Companies Limited

Mark Hoffman
Senior Vice President and
Chief Financial Officer
George Weston Limited
Vice President
Loblaw Companies Limited

Roger A. Lindsay
Secretary of The W. Garfield
Weston Foundation and
Secretary-Treasurer of
Wittington Investments Limited

Richard G. Meech, Q.C.
Barrister and Solicitor

David A. Nichol
Senior Vice President
George Weston Limited
Executive Vice President
Loblaw Companies Limited
President, Loblaws Ontario Division
Loblaws Limited

W. Struan Robertson, Q.C.
Partner
Borden & Elliot
Barristers and Solicitors

# OFFICERS

W. Galen Weston
Chairman of the Board and
Chief Executive Officer

George C. Metcalf
Vice Chairman of the Board

Richard J. Currie
President and Chief Operating Officer

Charles M. Humphrys
Senior Vice President, Finance
and Secretary

Harold A. Seitz
Senior Vice President
Real Estate Development

Brian Y. Davidson
Senior Vice President
Business Development and
President, Intersave Division

David A. Nichol
Executive Vice President

Douglas N. Lunau
Vice President, Procurement Services

Sheldon Douglass
Vice President, Controller

James H. Farrell
Vice President, General Counsel
and Assistant Secretary

John N. McCullough
Vice President, Real Property Counsel

Wayne E. East
Vice President Information Systems

Mark Hoffman
Vice President

Ian M. Young
Treasurer

Ivan R. Franklin
Tax Officer

Sheldon V. Durtsche
Assistant Treasurer (U.S. Companies)

Stewart E. Green
Assistant Secretary

Ian F. Bell
Assistant Controller

Alfred W. Lenz
Assistant Controller

Dorothy M. Leamen
Assistant Controller

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Borden & Elliot
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AUDITORS
Thorne Riddell
Toronto, Ontario

TRANSFER AGENT
National Trust Company Limited
Toronto, Montreal, Calgary, Vancouver

STOCK LISTINGS
Toronto, Montreal and
Vancouver Stock Exchanges